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TREASURY FOR OASIA
STATE PASS TO USTR FOR WEISEL
STATE PASS TO FEDERAL RESERVE SAN FRANCISCO FOR DAN FINEMAN
STATE PASS FEDERAL RESERVE NEW YORK FOR MATT HILDEBRANDT

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SUBJECT: THAKSIN'S FROZEN ASSETS

SENSITIVE BUT UNCLASSIFIED HANDLE ACCORDINGLY

11. (SBU) On June 11, Thailand's Asset Examination Committee (AEC), which has been investigating corruption cases from the previous government, ordered that the assets of former PM Thaksin and his wife, sister, children and brother-in-law be frozen pending a court ruling on alleged corruption. The order was based on 11 counts of "acts of dishonesty and abuses of power to accumulate unusual wealth" with total damage to the state calculated to total Bt148.2 billion (US\$4.5 billion) by the AEC. The AEC said it would freeze 21 bank accounts associated with the sale of Shin Corp to Temasek containing assets worth Bt52.9 billion (US\$1.52 billion). In addition, all domestic accounts held by Thaksin and his wife would also be frozen once identified by the nation's financial institutions. Banking industry contacts tell us that over the past week the AEC has been calling banks asking them whether Thaksin or his family held any accounts at their institutions. At least one foreign bank was asked whether Thaksin owned any accounts at its Singapore branch. The bank refused to provide this information without a legal order from the Singapore authorities.

12. (SBU) Thaksin netted Bt73.3 billion from the sale of his company, Shin Corp, to Temasek. This entire amount was brought onshore; a necessary condition in order to achieve a tax-free transaction (by selling the shares through the Stock Exchange of Thailand). The AEC found only Bt52.9 billion remaining in Thai accounts leaving Bt20.1 billion (US\$619 million) unaccounted for. The Bank of Thailand (BoT) has reportedly instructed all banks in Thailand to trace all transactions relating to these accounts. BoT officials, including then-Governor Pridiyathorn, told us shortly after the Shin sale that they had instructed Thai banks not to make any overseas transfers from Thaksin accounts without prior BoT approval. Pridiyathorn told us that these accounts would be carefully, if quietly, monitored by his institution. Other than a widely-publicized transfer of Bt400 million to allow Thaksin to buy an additional property in London, there have been no transfers abroad from the subject accounts according to current BoT Governor Tarisa. We have been unable to learn whether Thai officials were aware that the bank accounts were being rapidly depleted or whether account activity is what prompted the decision to freeze the assets at this point.

13. (SBU) The question of "why freeze Thaksin's assets at this point in time" is a current favorite pastime of Thai analysts. We have heard several explanations. Many argue that it is "punishment" for Thaksin purportedly having financed anti-junta demonstrations last weekend and to limit his resources so that future demonstrations could not be similarly funded. (Comment: Thaksin is presumed to have been financing anti-junta activity since at least March, but the

relative size of the most recent activity is notable. End Comment.) Others tell us that the AEC was always planning to take this action and were simply waiting to have their investigations into Thaksin corruption far enough along to justify the asset freeze order. The most imaginative have said that Thaksin's decision to purchase the Manchester City Premier English League soccer club was of concern to junta leaders (because Thais might be induced to support "Thaksin's team" when watching the popular broadcasts of English soccer) and the goal is to prevent this transaction from being completed. One analyst argued that the AEC has not sought cooperation from other governments to freeze Thaksin's overseas accounts because, with his Thai assets frozen, Thaksin will now be forced to utilize his overseas assets to buy Manchester City and this will "expose" where he keeps his overseas money.

14. (SBU) Whatever the reason behind the AEC action, the failure of the AEC to seek international cooperation for attachment of Thaksin family assets outside of Thailand is a surprise to most analysts here. The Bank of Thailand tells us that the AEC did not request such action and they will only act if so-requested. The AEC has only said that it is acting "to retain the assets involved (in the Shin transaction). It is not a punishment. It is not a final judgment." Nevertheless, they are demanding documents from Thaksin's UBS account in Singapore "but have no access to it." The Singapore Embassy here tells us that they have received no requests from the RTG to help in this case. Thaksin has 60 days to unfreeze his assets by verifying he earned these assets through legal means.

15. (SBU) Comment: There was considerable expectation that Thaksin's assets would be quickly seized when the coup leaders first took power last September. But coup leaders argued that they would abide by rule of law and due process and take such action only if the circumstances and investigations warranted. It has now been some weeks since the AEC brought proceedings against the Thaksin children for tax evasion related to the Shin Corp sale and Thaksin's wife for "dishonestly" purchasing land from the Bank of Thailand; yet assets were frozen only on June 11. Some people involved in Thai financial markets have long argued that the RTG would never freeze Thaksin assets because Thaksin might then be compelled to use his ultimate weapon, i.e. evidence of payments he made to the Crown Prince. With his party dissolved, his key allies banned from politics for five years, legal cases pending against his wife and children, and now his assets under threat, Thaksin may feel compelled to utilize any measures available to counterattack. He has very recently threatened to return to Thailand to defend himself-his first return volley in what may be a new form of his game of chicken with the CNS.

Boyce